Ntabankulu Local Municipality - 2011
Annual Financial Statements
for the year ended 30 June 2011

Ntabankulu Local Municipality - 2011

Annual Financial Statements for the year ended 30 June 2011

General Information

Legal form of entity	Local Municipality
Executive Committee	
Mayor	Z. Lwana
Speaker	N.A. Ntamo
Chiefwhip	V. Mgoduka
Portfolio Head:Human Resources,Organisational Transformation,Legal Services and Information Technology	K. Nonkondlo
Budget and Treasury,Supply Chain Management and Administration	S. Nompula
Portfolio Head:Planning Environment and Local Economic Development	N. Ndabeni
Portfolio Head:Infrastructure Capital,Maintenance and Waste Management	N.L Ndamase
Portfolio Head:Land,Housing and Traditional Affairs	N. Ndabeni
Portfolio Head:Community Services,Special Programmes and communications	M. Tyhalibhomgo
Portfolio Head:Protection,Public Safety & Crime Prevention	M. Tyhalibhomgo
Councillors	M. D. MKHIZE
	S. CEMBI
	K. NOMANZOYIYA
	L. NTANTINI
	A. L. NOBANGAYE
	M. TYHALIBHONGO
	B. B. NTUTHUKA
	L. L. SIGONGOTHO
	V. MATHWASA
	R. Z. TANTSI
	N. S. ZWENI
	B. Z. NDAMASE
	S. SICWAYI
	N. S. PIKWA
	S. SOPHAQA
	M. MAMFENGU
	N. MAZAZA
	M. R. POSWA
	K. NONKONDLO
	N. MPOMPOZA
	M. MTAKASI
	M. GWEQANI

General Information

Councillors	M. W. SIGUQA N. L. NDAMASE N. E. MBONOMTSHA T. M. DINWAYO S. S. NOMPULA N. NDABENI M. G. MAGATYANA N. V. SOGONI N. NDOYISILE L. TALATALA
Grading of local authority	Grade 2
Accounting officer(Municipal Manager)	S. Tantsi
Chief Finance Officer (CFO)	B. Benxa
Registered office	Erf 85 Main Street Ntabankulu 5130
Business address	Erf 85 Main Street Ntabankulu 5130
Postal address	PO Box 234 Ntabankulu 5130
Auditors	Auditor General
Bankers	First National Bank Meeg Bank Account

Ntabankulu Local Municipality - 2011

Annual Financial Statements for the year ended 30 June 2011

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The reports and statements set out below comprise the annual financial statements presented to the council:

Abbreviations

CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

I am responsible for the preparation of these annual financial statements, which are set out on pages 4 to 35, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 28 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Cooperative Governance and Traditional affair's determination in accordance with this Act.

S. Tantsi
Municipal manager

Ntabankulu Local Municipality - 2011
Statement of Financial Position at 30 June 2011

	Note	2011	2010
		R	R
ASSETS			
Current Assets		**9 906 419**	**12 693 803**
Inventory	3	35 601	-
Trade Receivables from Exchange Transactions	4	242 090	49 997
Trade Receivables from Non-Exchange Transactions	5	9 250 304	1 767 790
Cash and Cash Equivalents	6	378 424	10 876 016
Non-Current Assets		**37 268 782**	**14 775 771**
Property, Plant and Equipment	7	36 856 064	14 569 685
Intangible Assets	8	412 718	206 086
Investment Property	9	-	-
Total Assets		**47 175 201**	**27 469 574**
LIABILITIES			
Current Liabilities		**18 163 322**	**22 059 920**
Provisions	10	-	-
Creditors	11	16 755 188	6 616 968
Unspent Conditional Grants and Receipts	12	787 058	11 666 158
Bank Overdraft	6	453 237	3 649 639
Current Portion of Long-term Liabilities	13	167 839	127 155
Non-Current Liabilities		**72 405**	**108 826**
Long-term Liabilities	13	72 405	108 826
Non-current Provisions	14	-	-
Total Liabilities		**18 235 727**	**22 168 746**
Total Assets and Liabilities		**28 939 475**	**5 300 828**
NET ASSETS		**28 939 475**	**5 300 828**
Reserves		-	-
Accumulated Surplus	15	28 939 475	5 300 828
Total Net Assets		**28 939 475**	**5 300 828**

Ntabankulu Local Municipality - 2011

Statement of Financial Performance for the year ended 30 June 2011

	Note	Actual 2011 R	Actual 2010 R	*Budget 2011 R*
REVENUE				
Revenue from Non-exchange Transactions				
Property Rates	**16**	1 488 801	1 915 833	*1 183 840*
Fines		68 717	29 335	*600 000*
Government Grants and Subsidies Received	**20**	68 862 478	57 854 392	*80 297 000*
Revenue from Exchange Transactions				
Service Charges	**18**	185 915	187 141	*84 560*
Rental of Facilities and Equipment	**19**	765 183	1 026 744	*845 285*
Interest Earned - External Investments	**17**	647 704	899 706	-
Interest Earned - Outstanding Debtors	**17**	467	-	-
Other Income	**21**	2 224 891	6 916 457	*1 500 415*
Total Revenue		**74 244 156**	**68 829 608**	***84 511 100***
EXPENDITURE				
Employee Related Costs	**22**	19 713 520	17 659 592	*26 697 560*
Remuneration of Councillors	**23**	6 697 491	5 237 454	-
Depreciation and Amortisation	**24**	-	-	-
Impairment Losses	**25**	-	6 312 784	*800 000*
Repairs and Maintenance		1 354 793	940 015	*1 543 000*
Finance Costs	**26**	325 105	59 944	*50 000*
General Expenses	**27**	22 514 600	17 628 142	*18 519 984*
Total Expenditure		**50 605 509**	**47 837 931**	***47 610 544***
SURPLUS FOR THE YEAR		**23 638 647**	**20 991 677**	***36 900 556***

Ntabankulu Local Municipality - 2011

Statement of changes in Net Assets for the year ended 30 June 2011

Description	Accumulated Surplus / (Deficit) Account		Total for Accumulated Surplus/(Deficit) Account	Total
	Capital Replacement Reserve	Accumulated Surplus / (Deficit)		
	R	R	R	R
2010				
Balance at 30 June 2009	629 369	2 016 806	2 646 175	2 646 175
Change in Accounting Policy (Note 29)		-	-	-
Correction of Error (Note 30)		5 106 506	5 106 506	5 106 506
Restated Balance	**629 369**	**7 123 312**	**7 752 681**	**7 752 681**
Surplus for the year		20 991 677	20 991 677	20 991 677
Funds movement		(4 423 185)	(4 423 185)	(4 423 185)
Movement in unspent conditional grants		(10 264 753)	(10 264 753)	(10 264 753)
Movement in CRR	(544 136)	544 136	-	-
Movement in LRCR	-	(10 444 762)	(10 444 762)	(10 444 762)
OR Tambo Debt reversal		1 689 170	1 689 170	1 689 170
		-	-	-
Balance at 30 June 2010	**85 233**	**5 215 595**	**5 300 828**	**5 300 828**

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Ntabankulu Local Municipality - 2011

Statement of changes in Net Assets for the year ended 30 June 2011

Description	Accumulated Surplus / (Deficit) Account		Total for Accumulated Surplus/(Deficit) Account	Total
	Capital Replacement Reserve	Accumulated Surplus / (Deficit)		
	R	R	R	R
2011				
Balance at 1 July 2010	**85 233**	**5 215 595**	**5 300 828**	**5 300 828**
Surplus for the year		23 638 647	23 638 647	23 638 647
Balance at 30 June 2011	**85 233**	**28 854 242**	**28 939 475**	**28 939 475**
	-	(0.00)	(0.00)	

Ntabankulu Local Municipality - 2011
Cash Flow Statement for the year ended 30 June 2011

	Note	2011	2010
		R	R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from Ratepayers, Government and Other		71 099 036	64 233 447
Cash paid to Suppliers and Employees		(56 234 544)	(44 729 644)
Cash generated from Operations	**31**	**14 864 492**	**19 503 803**
Interest received	**17**	648 171	899 706
Interest paid	**26**	(325 105)	(59 944)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**15 187 558**	**20 343 565**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	**7**	(22 286 379)	(14 449 935)
Purchase of Intangible Assets	**8**	(206 632)	(65 075)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(22 493 011)**	**(14 515 010)**
CASH FLOWS FROM FINANCING ACTIVITIES			
New Loans raised	**13**	-	-
Loans repaid	**13**	4 263	(211 351)
Decrease / (Increase) in Short-term Loans		-	(15 607)
NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		**4 263**	**(226 958)**
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	**6**	**(7 301 190)**	**5 601 597**
Cash and Cash Equivalents at the beginning of the year		7 226 377	1 624 780
Cash and Cash Equivalents at the end of the year		(74 813)	7 226 377

1 BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) issued by the accounting standard's Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No. 56 of 2003).

The standards are summarised as follows:

Standard	Description
GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting policies, changes in accounting estimates and errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interests in Joint Ventures
GRAP 9	Revenue
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non-current Assets held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible assets
IFRS 3	Business Combinations
IFRS 4	Insurance contracts
IFRS 6	Exploration for and Evaluation of Mineral Resources
IAS 12	Income Taxes
SIC – 21 (AC 421)	Income Taxes – Recovery of Revalued Non-Depreciable Assets
SIC – 25 (AC 425)	
	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders
SIC – 29 (AC 429)	Service Concession Arrangements – Disclosures
IPSAS 20	Related party disclosures
IPSAS 21	Impairment of non-cash-generating Assets
IFRIC 4 (AC 437)	Determining whether an Arrangement contains a Lease
IFRIC 12 (AC 445)	Service Concession Arrangements
IFRIC 13 (AC 446)	Customer Loyalty Programmes
IFRIC 15 (AC 448)	Agreements for the Construction of Real Estate
IFRIC 17 (AC 450)	Distributions of Non-cash Assets to Owners
IFRIC 18 AC (451)	Transfer of Assets from Customers

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These Accounting Policies and applicable disclosure have been based on the South African Standards of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The Accounting Standards Board has set transitional provisions for individual standards of GRAP as set out in Directive 4 and Directive 5 issued in March 2009. Details of the transitional provisions applicable to the municipality have been provided in the notes to the annual financial statements.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below:

1.1. PRESENTATION CURRENCY

The Annual Financial Statements are presented in South African Rand, rounded to the nearest Rand which is the Municipality's functional currency.

1.2. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on an assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3. CHANGE IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are affected by management have been applied retrospectively as is required by GRAP 3. Refer to note 2 fro the details of changes in accounting policies. When the presentation and classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as it is practicable, and the prior comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as it is practicable, and the prior year comparative are restated accordingly.

1.4. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

Standard	Description
GRAP 21	Impairment of Non-cash-generating Assets
GRAP 23	Revenue from Non-exchange Transactions (Taxes and Transfers)
GRAP 25	Employee Benefits
GRAP 26	Impairment of Cash-generating Assets
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments

1.5. PROPERTY, PLANT AND EQUIPMENT

1.5.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.5.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.5.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have a different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure Assets		Other Assets	
Roads and Paving	30 Years	Buildings	30 Years
Storm Water Drainage	20Years	Special Vehicles	10 Years
Community Assets		Other Vehicles	5 Years
Buildings	30 Years	Office Equipment	3-7 Years
Recreational Facility	20-30 Years	Furniture and Fittings	7-10 Years
Security	5 Years	Bins and Containers	5 Years
Community Halls	30 Years		
Libraries	30 Years	Specialised plant and Equipment	10-15 Years
Parks and Gardens	10 Years	Land Fill Sites	15 Years
Finance Lease Assets		Computer Equipment	3 Years
Office Equipment	4 Years		

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment

The municipality opted to take advantage of the transitional provisions in Directive 4 for the measurement of property, plant and equipment. In terms of this directive the Auditor General in the Eastern Cape determined that no provisional amounts for depreciation can be measured.

1.5.4 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Transitional Provisions

The municipality changed its accounting policy of property, plant and equipment in 2010. The change in accounting policy was made (financial year ended 30 June 2010) in accordance with its transitional provisions permitted by the Accounting Standards Board, as set out in Directive 4 issued in March 2009 as follows:

GRAP 1	Presentation of Financial Statements – paragraphs 7-8A
GRAP 9	Revenue from exchange transactions – paragraphs 37-38
GRAP 13	Leases - paragraphs 55-60
GRAP 16	Investments Property – paragraphs 63-70
GRAP 17	Property, Plant and Equipment – paragraphs73-83
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets – paragraphs 93-94E
GRAP 102	Intangible Assets- paragraphs 100-118

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, upon first time adoption of the Standards of GRAP, the municipality is not required to measure that property, plant and equipment for a period of three years from the effective date of the transfer of functions or effective date of the Standards, whichever is later. The Municipality acquired transfer(s) of function in 2010 and property, plant and equipment has been accordingly recognised at provisional amounts, as disclosed in note 10. The transitional provision expires on 30 June 2012.

Due to the impact of Directive 4 being adopted – and the core criteria of all assets being exempt for measurement, for and including the next two financial years- impairment residual values, componentisation, depreciation assessments and all forms of fair values will not be considered.

1.6. INTANGIBLE ASSETS

1.6.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance. An Example includes computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.
Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.6.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.6.3 Amortisation and Impairment

The municipality opted to take advantage of the transitional provisions in Directive 4 for the measurement of intangible assets. In terms of this directive the Auditor General in the Eastern Cape determined that no provisional amounts for amortisation can be measured.

Computer Software	5 Years

The amortisation period and amortisation method for intangible assets with a finite useful life are reviewed each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that the asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of intangible asset is greater than the estimated recoverable amount (or recoverable service amount) is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Ntabankulu Local Municipality has utilised the transitional provisions permitted by the Accounting Standards Board, as set out in Directive 4 issued in March 2009 as follows:

GRAP 1	Presentation of Financial Statements – paragraphs 7-8A
GRAP 9	Revenue from exchange transactions – paragraphs 37-38
GRAP 13	Leases - paragraphs 55-60
GRAP 16	Investments Property – paragraphs 63-70
GRAP 17	Property, Plant and Equipment – paragraphs 73-83
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets – paragraphs 93-94E
GRAP 102	Intangible Assets- paragraphs 100-118

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, upon first time adoption of the standards of GRAP, the municipality is not required to measure intangible assets for a period of three years from the effective date of the transfer(s) of the function in 2010 and Intangible assets has been accordingly been recognised at provisional amounts, as disclosed in note 10. The transitional provision expires on 30 June 2012.

1.7. INVESTMENT PROPERTY

1.7.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

1.7.2 Subsequent Measurement – Fair Value Model

Investment property is measured using the fair value model. Investment property is carried at fair value, representing open market value determined periodically by external valuers at the reporting date. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in surplus or deficit for the period in which it arises.

The municipality has again utilised the allowances as per Directive 4 of the Accounting Standards Board in the current year and has therefore not valued its investment property at fair value. The entity will be fully compliant with the accounitng standards in the 2012 financial year.

1.8. NON-CURRENT ASSETS HELD FOR SALE

1.8.1 Initial Recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when a sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which is expected to qualify for recognition as a completed sale within one year from the date of classification.

1.8.2 Subsequent measurement

Non-current assets held for sale (or disposal group) are measure at the lower of carrying amount and fair value less the cost to sell.

A non-current asset is not depreciated (or amortised) while is classified as held for sale, or while it is part of the disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of the disposal group classified as held for sale are recognised in surplus or deficit

1.9. FINANCIAL INSTRUMENTS

The Municipality has various types of financial instruments and these can probably be categorized as either financial assets or financial liabilities.

1.9.1 Initial Recognition

Financial instruments are initially recognised at fair value.

1.9.2 Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial

1.9.2.1 Investments

Investments, which includes listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are recognised as either held-to-maturity where the criteria for that categorisation are met, or as loans or receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of the investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

1.9.2.2 Trade and Other Receivables

Trade and other receivables are categorised as financial assets: loans and receivables, and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made of doubtful receivables based on review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivable through the use of allowance account ad the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a rate receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

1.9.2.2 Financial Liabilities: Trade Payables from non-exchange transactions

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.9.2.3 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.10. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.11. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 200), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.12. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.13. PROVISIONS

Provisions are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is possible.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented.

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The Municipality has utilised the transitional provisions permitted by the Accounting Standards Board, as set out in Directive 4 issued in March 2009 as follows:

GRAP 1	Presentation of Financial Statements – paragraphs 7-8A
GRAP 9	Revenue from exchange transactions – paragraphs 37-38
GRAP 13	Leases - paragraphs 55-60
GRAP 16	Investments Property – paragraphs 63-70
GRAP 17	Property, Plant and Equipment – paragraphs 73-83
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets – paragraphs 93-94E
GRAP 102	Intangible Assets- paragraphs 100-118

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, upon first time adoption of the standards of GRAP, the municipality is not required to measure landfill sites for a period of three years the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The transitional provision expires on 30 June 2012.

Due to the impact of Directive 4 being adopted on the core criteria of all assets and liabilities being exempt for measurement, for and including the next three financial years impairment and depreciation assessments will not be considered.

1.14. LEASES

1.14.1 *Municipality as Lessee*

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the assets useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease.

Ntabankulu Local Municipality has utilised the transitional provisions permitted by the Accounting Standards Board, as set out in Directive 4 issued in March 2009 as follows:

GRAP 1	Presentation of Financial Statements – paragraphs 7-8A
GRAP 9	Revenue from exchange transactions – paragraphs 37-38
GRAP 13	Leases - paragraphs 55-60
GRAP 16	Investments Property – paragraphs 63-70
GRAP 17	Property, Plant and Equipment – paragraphs 73-83
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets – paragraphs 93-94E
GRAP 102	Intangible Assets- paragraphs 100-118

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, upon first time adoption of the standards of GRAP, the Municipality is not required to measure leasehold assets for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2010 and Leasehold assets have accordingly been recognised at provisional amounts as disclosed in note 10. The transitional provision expires on 30 June 2012.

1.14.2 ***Municipality as Lessor***

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

1.15. **REVENUE**

1.15.1 **Revenue recognition**

1.15.1 ***Revenue from Exchange Transactions***

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

1.15.2 ***Revenue from Non-Exchange Transactions***

Revenue from non-exchange transactions refers to transactions where the municipality received revenue without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Revenue from spot fines and summonses is recognised based on an estimation of future collections of fines issued based on prior period trends and collection percentages.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof is virtually certain.

1.15.3 *Grants, Transfers and Donations (Non-Exchange Revenue)*

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.16. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

1.17. EMPLOYEE BENEFITS

Short-term employee benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits which are only recognised when a specific event occurs.

The cost of short-term employee benefits such as leave pay, are recognised in the period are an employee renders the related service. The municipality recognises the expected cost of performance bonuses only when the municipality has a present and legal or constructive obligation to make such payment and a reliable estimate can be made.

Defined contribution plans

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all the employees the benefits relating to the service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees.

1.18. Retirement Benefits

The municipality provides post-retirement benefits to its employees and councillors. Contributions are made to the South African Municipal Workers Union (SAMWU) to fund the obligations for the payment of retirement benefits in accordance with the rules of the defined contribution fund it administers. Contributions are recognised as an expense in the Statement of Financial Performance.

Contributions to the South African Municipal Workers Union (SAMWU) are made as follows:

- The staff members contributes 7,5% of basic salary
- Councillors contributes 18% of basic salary

1.19. IMPAIRMENT OF ASSETS

The municipality assesses at each reporting date whether there is any indication that the assets may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

tests intangible assets with an indefinite useful life or intangible assets not available for use fro impairment annually by comparing its carrying amount with its recoverable amount. This impairment tests is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of the asset or a cash generating unit is the higher of its fair value less cot to sell ad its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of asset carried at cost less any accumulated depreciation or amortisation is recognised immediately in the surplus or deficit. Any impairment loss of a re-valued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

To the asset of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal or an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of asset carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a re-valued asset is treated as a revaluation increase.

The municipality changed its accounting policy for property, plant and equipment in 2010. The change in accounting policy was made in accordance with its transitional provisions as per Directive 4 of the GRAP Reporting Framework.

Ntabankulu Local Municipality has utilised the transitional provisions permitted by the Accounting Standards Board, as set out in Directive 4 issued in March 2009 as follows:

GRAP 1	Presentation of Financial Statements – paragraphs 7-8A
GRAP 9	Revenue from exchange transactions – paragraphs 37-38
GRAP 13	Leases - paragraphs 55-60
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GRAP 17	Property, Plant and Equipment – paragraphs 73-83
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets – paragraphs 93-94E
GRAP 102	Intangible Assets- paragraphs 100-118

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, upon the first time adoption of standards of GRAP, the municipality is not required to measure property, plant and equipment for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2010 and property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in note 10. The transitional provisions expire on 30 June 2012.

Due to the impact of Directive 4 being adopted – and the core criteria of all assets being exempt for measurement, for and including the next two financial years – impairment, residual values, componentisation , depreciation assessments and all forms of fair values will not be considered.

1.20. TRANSITIONAL PROVISIONS

Ntabankulu Local Municipality has utilised the transitional provisions permitted by the Accounting Standards Board, as set out in Directive 4 issued in March 2009 as follows:

GRAP 1	Presentation of Financial Statements – paragraphs 7-8A
GRAP 9	Revenue from exchange transactions – paragraphs 37-38
GRAP 13	Leases - paragraphs 55-60
GRAP 17	Property, Plant and Equipment – paragraphs 73-83
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets – paragraphs 93-94E
GRAP 102	Intangible Assets- paragraphs 100-118

NTABANKULU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

	2011	2010
	R	R

1 GENERAL INFORMATION

Ntabankulu Local Municipality (the municipality) is a local government institution in Ntabankulu, Eastern Cape. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction and overview of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by The Constitution.

The municipality adopted a phased-in approach in order to comply fully with the implementation of GRAP. The municipality is classified by the National Treasury as a low capacity municipality and must comply with GRAP by 30 June 2009. The municipality, however, took advantage of the transitional provisions in Directive 4 from the Accounting Standards Board and aims to comply fully with GRAP by 30 June 2012.

2 RECONCILIATION OF BUDGET SURPLUS/DEFICIT WITH THE SURPLUS/DEFICIT IN THE STATEMENT OF FINANCIAL PERFORMANCE

Net surplus/deficit per the statement of financial performance	23 638 647
Adjusted for:	
Unauthorised expenditure	7 470 654
Effect of accrual basis	5 791 255
Net surplus/deficit per approved budget	36 900 556

3 INVENTORY

	2011	2010
Consumable Stores - at cost	35 601	-
Total Inventory	**35 601**	**-**

4 TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS

As at 30 June 2011	Gross Balances	Provision for Impairment	Net Balances
Service Debtors:	470 806	228 715	242 090
Refuse	470 806	228 715	242 090
Total Consumer Debtors	**470 806**	**228 715**	**242 090**

As at 30 June 2010	Gross Balances	Provision for Impairment	Net Balances
Service Debtors:	761 117	711 120	49 997
Refuse	761 117	711 120	49 997
Total Consumer Debtors	**761 117**	**711 120**	**49 997**

The management of the municipality is of the opinion that the carrying value of Consumer Debtors approximate their fair values.

The fair value of Consumer Debtors was determined after considering the standard terms and conditions of agreements entered into between the municipality and Consumer Debtors as well as the current payment ratio's of the municipality's Consumer Debtors.

	2011	2010
	R	R
4.1 Ageing of Consumer Debtors		
Refuse: Ageing		
Current:		
0 - 30 days	7 460	14 461
Past Due:		
31 - 60 Days	4 035	14 246
61 - 90 Days	13 294	14 181
91 - 120 Days	4 480	14 220
+ 120 Days	441 537	704 009
Total	**470 806**	**761 117**

4.2 Summary of Debtors by Customer Classification

	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2011				
Current:				
0 - 30 days	3 363	4 769	1 357	40
Past Due:				
31 - 60 Days	2 781	4 790	1 357	112
61 - 90 Days	2 991	4 764	1 357	112
+ 90 Days	(3 858)	2 229	1 357	(703)
+ 120 Days	187 834	215 473	6 063	34 617
Sub-total	193 111	232 025	11 492	34 177
Less: Provision for Impairment	-	-	-	-
Total Debtors by Customer Classification	**193 111**	**232 025**	**11 492**	**34 177**

	2011	2010
	R	R
4.3 Reconciliation of the Provision for Impairment		
Balance at beginning of year	711 120	420 231
Impairment Losses recognised	-	290 889
Impairment Losses reversed	(482 405)	-
Amounts written off as uncollectable	-	-
Amounts recovered	-	-
Balance at end of year	**228 715**	**711 120**

In determining the recoverability of a Consumer Debtor, the municipality considers any change in the credit quality of the Consumer Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable.

4.4 Ageing of impaired Consumer Debtors	2011 R	2010 R
0 - 30 Days	-	-
31 - 60 Days	-	-
61 - 90 Days	-	-
91 - 120 Days	-	-
+ 120 Days	228 715	711 120
Long-term Loan Debtors	-	-
Total	**228 715**	**711 120**

5 TRADE RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Assessment Rates debtors	5 764 872	6 131 504
Vat Receivable	**6 118 011**	**1 296 912**
Sundry Debtors	207 976	112 874
	12 090 859	7 541 290
Less: Provision for Impairment	(2 840 555)	(5 773 500)
Total Other Debtors	**9 250 304**	**1 767 790**

Vat is payable on the receipts basis. Only once payment is reveived from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

The fair value of Other Debtors was determined after considering the standard terms and conditions of agreements entered into between the municipality and Other Debtors. The current payment ratio's of Other Debtors were also taken into account for fair value determination.

5.1 Reconciliation of Provision for Impairment	2011 R	2010 R
Balance at beginning of year	5 773 500	3 159 907
Impairment Losses recognised	-	2 613 593
Impairment Losses reversed	(2 932 945)	-
Amounts written off as uncollectable	-	-
Amounts recovered	-	-
Balance at end of year	**2 840 555**	**5 773 500**

The Provision for Bad Debts was calculated after grouping all the financial assets of similar nature and risk ratings and by calculating the historical payment ratios for the groupings and by assuming that the future payment ratios would be similar to the historical payment ratios.

In determining the recoverability of a Debtor, the municipality considers any change in the credit quality of the Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

5.2 Ageing of trade receivables from non-exchange transactions

5.2.1.1 Assessment Rates: Ageing	**2011**	**2010**
Current:		
0 - 30 days	91 261	115 333
Past Due:		
31 - 60 Days	49 332	113 375
61 - 90 Days	162 664	388 406
91 - 120 Days	54 785	383 135
+ 120 Days	5 406 830	5 131 255
Total	**5 764 872**	**6 131 504**

Summary of Assessment Rates Debtors by Customer Classification

	Household	**Industrial/ Commercial**	**National and Provincial Government**	**Other**
	R	**R**	**R**	**R**
As at 30 June 2011				
Current:				
0 - 30 days	41 771	59 226	16 857	492
Past Due:				
31 - 60 Days	34 537	59 493	16 857	1 390
61 - 90 Days	37 145	59 171	16 857	1 390
+ 90 Days	(47 914)	27 677	16 857	(8 733)
+ 120 Days	2 250 472	2 676 097	75 297	429 932
Sub-total	2 316 011	2 881 664	142 726	424 471
Less: Provision for Impairment	-	-		
Total Debtors by Customer Classification	**2 316 011**	**2 881 664**	**142 726**	**424 471**

In determining the recoverability of a Rates Assessment Debtor, the municipality considers any change in the credit quality of the Rates Assessment Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

	2011	**2010**
	R	**R**
6 CASH AND CASH EQUIVALENTS		
Cash and Cash Equivalents	378 424	10 876 016
Bank Overdraft	(453 237)	(3 649 639)
Total Cash and Cash Equivalents	**(74 813)**	**7 226 377**

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

6.1 Current Investment Deposits

Call Deposits	378 424	10 799 942
Notice Deposits	-	-
Short-term Portion of Investments	-	-
Total Current Investment Deposits	**378 424**	**10 799 942**

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 9,45 % to 11,660 % per annum.

The Municipality has the following bank accounts:	2011 R	2010 R
6.2 Bank Accounts		
Primary Bank Account		
Cash in Bank	-	-
Bank Overdraft	(453 237)	(3 649 639)
Total Bank Accounts	**(453 237)**	**(3 649 639)**
The Municipality has the following bank accounts:		
First National Bank - Account Number 622 3333 4250:		
Cash book balance at beginning of year	(3 649 639)	-
Cash book balance at end of year	(453 237)	(3 649 639)
Bank statement balance at beginning of year	175 416	-
Bank statement balance at end of year	(92 408)	175 416
6.3 Cash and Cash equivalents		
Cash Floats and Advances	-	58 529
Other Cash Equivalents	-	17 545
Cash on hand in Cash Floats, Advances and Equivalents	-	76 074

The management of the municipality is of the opinion that the carrying value of Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

NTANAKULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

7 PROPERTY, PLANT AND EQUIPMENT

30 June 2011

Reconciliation of Carrying Value

Description	Land and Buildings	Infra- structure	Community Halls	Furniture and Fittings and Other Equipment	Leased Infra- structure	Total
	R	R	R	R	R	R
Carrying values at 01 July 2010	**-**	**12 231 873**	**1 639 676**	**578 386**	**119 750**	**14 569 685**
Cost	-	12 231 873	1 639 676	578 386	119 750	14 569 685
- *Completed Assets*	-	*12 231 873*	*1 639 676*	*578 386*	*119 750*	*14 569 685*
- *Under Construction*	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-
Accumulated Depreciation:	-	-	-	-	-	-
- *Cost*	-	-	-	-	-	-
Acquisitions	830 903	20 191 812	573 159	524 279	166 225	22 286 379
Capital under Construction - Additions	-	0	-	-	-	0
- *Cost*	-	0	-	-	-	*0*
Reversals of Impairment Losses	-	-	-	-	-	-
Depreciation:	-	-	-	-	-	-
- *Based on Cost*	-	-	-	-	-	-
Carrying value of Disposals:	-	-	-	-	-	-
- Cost	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-
- *Based on Cost*	-	-	-	-	-	-
Impairment Losses	-	-	-	-	-	-
Capital under Construction - Completed	-	-	-	-	-	-
Other Movements	-	-	-	-	-	-
- Cost	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-
- *Based on Cost*	-	-	-	-	-	-
- *Based on Revaluation*	-	-	-	-	-	-
Carrying values at 30 June 2011	**830 903**	**32 423 685**	**2 212 835**	**1 102 665**	**285 975**	**36 856 064**
Cost	830 903	32 423 685	2 212 835	1 102 665	285 975	36 856 064
- *Completed Assets*	*830 903*	*32 423 685*	*2 212 835*	*1 102 665*	*285 975*	*36 856 064*
- *Under Construction*	-	*0*	-	-	-	*0*
Revaluation	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-
Accumulated Depreciation:	-	-	-	-	-	-
- *Cost*	-	-	-	-	-	-
- *Revaluation*	-	-	-	-	-	-
	830 903.00		(244 562.00)	2 457.00		

NTANAKULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

30 June 2010

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Community	Other	Leased Infra-structure	Total
	R	R	R	R	R	R
Carrying values at 01 July 2009	**-**	**-**	**-**	**-**	**119 750**	**119 750**
Cost	-	-	-	-	119 750	119 750
- *Completed Assets*	-	-	-	-	*119 750*	*119 750*
- *Under Construction*	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-
Accumulated Depreciation:	-	-	-	-	-	-
- *Cost*	-	-	-	-	-	-
Acquisitions	-	12 231 873	1 639 676	578 386	-	14 449 935
Capital under Construction - Additions	-	-	-	-	-	-
- *Cost*	-	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-	-
Depreciation:	-	-	-	-	-	-
- *Based on Cost*	-	-	-	-	-	-
Carrying value of Disposals:	-	-	-	-	-	-
- Cost	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-
- *Based on Cost*	-	-	-	-	-	-
Impairment Losses	-	-	-	-	-	-
Capital under Construction - Completed	-	-	-	-	-	-
Other Movements	-	-	-	-	-	-
- Cost	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-
- *Based on Cost*	-	-	-	-	-	-
Carrying values at 30 June 2010	**-**	**12 231 873**	**1 639 676**	**578 386**	**119 750**	**14 569 685**
Cost	-	12 231 873	1 639 676	578 386	119 750	14 569 685
- *Completed Assets*	-	*12 231 873*	*1 639 676*	*578 386*	*119 750*	*14 569 685*
- *Under Construction*	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-
Accumulated Depreciation:	-	-	-	-	-	-
- *Cost*	-	-	-	-	-	-
- *Revaluation*	-	-	-	-	-	-

7 PROPERTY, PLANT AND EQUIPMENT (Continued)

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. The municipality did not measure all the Property, Plant and Equipment in accordance with the standard, including the following:

- Land; and
- Componentised infrastructure assets.

The municipality did not measure the following, in terms of the transitional provisions:

- Review of useful life of item of PPE recognised in the Annual Financial Statements;
- Review of the depreciation method applied to PPE recognised in the Annual Financial Statements;
- Review of residual values of item of PPE recognised in the Annual Financial Statements;
- Impairment of non-cash generating assets; and
- Impairment of cash generating assets.

The municipality is currently in a process of identifying all Property, Plant and Equipment and have it valued in terms of GRAP 17 and it is expected that this process will be completed for inclusion in the 2012 Financial Statements. The municipality is in the process of itemising all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2012. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets, using global historical costs recorded in the accounting records.

The leased property, plant and equipment is secured as set out in Note 13

	2011	2010
	R	R

8 INTANGIBLE ASSETS

	2011	2010
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	**412 718**	**206 086**

The movement in Intangible Assets is reconciled as follows:

	Computer Software	Valuation Roll	Website Development	Total
Carrying values at 01 July 2010	**206 086**	**-**	**-**	**206 086**
Cost	206 086	-	-	206 086
Accumulated Amortisation	-	-	-	-
Accumulated Impairment Losses	-	-	-	-
Acquisitions during the Year:	206 632	-	-	206 632
Purchased	206 632	-	-	206 632
Work-in-Progress at Year-end	-	-	-	
Increases in Revaluations during the Year	-	-	-	-
Amortisation during the Year:	-	-	-	-
Purchased	-	-	-	-
Impairment Losses during the Year	-	-	-	-
Disposals during the Year:	-	-	-	-
At Cost	-	-	-	-
At Accumulated Amortisation	-	-	-	-
At Accumulated Impairment	-	-	-	-
Carrying values at 30 June 2011	**412 718**	**-**	**-**	**412 718**
Cost	412 718	-	-	412 718
Accumulated Revaluation	-	-	-	-
Accumulated Amortisation	-	-	-	-
Accumulated Impairment Losses	-	-	-	-

	Computer Software	Valuation Roll	Website Development	Total
Carrying values at 01 July 2009	**141 011**	**-**	**-**	**141 011**
Cost	141 011	-	-	141 011
Accumulated Amortisation		-	-	
Accumulated Impairment Losses	-	-	-	-
Acquisitions during the Year:	65 075	-	-	65 075
Purchased	65 075	-	-	65 075
Work-in-Progress at Year-end				
Increases in Revaluations during the Year	-	-	-	-
Amortisation during the Year:	-	-	-	-
Purchased		-	-	
Impairment Losses during the Year	-	-	-	-
Disposals during the Year:	-	-	-	-
At Cost	-	-	-	-
At Accumulated Amortisation	-	-	-	-
At Accumulated Impairment	-	-	-	-
Carrying values at 30 June 2010	**206 086**	**-**	**-**	**206 086**
Cost	206 086	-	-	206 086
Accumulated Revaluation	-	-	-	-
Accumulated Amortisation	-	-	-	-
Accumulated Impairment Losses	-	-	-	-

The entity have not valued intangible assets subsequent to initial recognition as it has utilised the allowances as per Directive 4 of the Accounitng Standards Board.

	2011 R	2010 R
9 INVESTMENT PROPERTY		
At Fair Value	-	-
At Cost less Accumulated Depreciation	-	-

The movement in Investment Property is reconciled as follows:

	2011	2010
Carrying values at 1 July	**-**	**-**
Cost	-	-
Fair Value	-	-
Accumulated Depreciation	-	-
Accumulated Impairment Losses	-	-
Acquisitions during the Year	-	-
Net Gains / (Losses) from Fair Value Adjustments		
Depreciation during the Year	-	-
Impairment Losses during the Year	-	-
Disposals during the Year:	-	-
At Cost	-	-
At Accumulated Depreciation	-	-
At Accumulated Impairment	-	-
Reversal of Impairment Losses during the Year	-	-
Transfers during the Year:	-	-
At Cost	-	-
At Accumulated Depreciation	-	-
At Accumulated Impairment	-	-
Carrying values at 30 June	**-**	**-**
Cost	-	-
Fair Value	-	-
Accumulated Depreciation	-	-
Accumulated Impairment	-	-
Estimated Fair Value of Investment Property at 30 June	**-**	**-**

The municipality is has opted to still utilise the provisions of Directive 4 of the Accounting Standards Board in the current year and has therefore not valued its investment property in the current year. The municipality will be fully compliant with the accounting standard in the 2012 financial year.

	2011	2010
Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:		
Rental Revenue earned from Investment Property	765 183	1 026 744

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

	2011	2010
	R	R
10 PROVISIONS		
Current Portion of Non-Current Provisions (See Note 26 below):	-	-
Rehabilitation of Land-fill Sites	-	-
Total Provisions	**-**	**-**

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. The municipality did not value the above provision relating to Property, Plant and Equipment:
- Rehabilitation of Land-fill Sites

This rehabilitation site had not yet been registered as at 30 June 2011.

	2011	2010
	R	R
11 CREDITORS		
Trade Creditors	15 544 006	5 702 213
Payments received in Advance	147 178	-
Retentions	-	-
Staff Bonuses	-	-
Sundry Deposits	-	-
Other Creditors	-	-
Accrued leave	1 064 004	914 755
Total Creditors	**16 755 188**	**6 616 968**

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

The management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

Staff Leave accrues to the staff of the municipality on an annual basis, subject to certain conditions. The accrual is an estimate of the amount due at the reporting date.

12 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

12.1 Conditional Grants from Government	**787 058**	**11 666 158**
Provincial Government Grants	787 058	11 666 158
Total Conditional Grants and Receipts	**787 058**	**11 666 158**

Unspent Conditional Grants have been restated to correctly classify amounts now included in Creditors. Refer to Note 30.1 on "Correction of Error" for details of the restatement.

The amount for Unspent Conditional Grants and Receipts are deposited in ring-fenced investment accounts until utilised.

	2011 R	2010 R
13 LONG TERM LIABILITIES		
Finance Lease Liabilities	240 244	235 981
Sub-total	240 244	235 981
Less: Current Portion transferred to Current Liabilities:-	167 839	127 155
Finance Lease Liabilities	167 839	127 155
Total Long-term Liabilities (Neither past due, nor impaired)	**72 405**	**108 826**

13.1 Summary of Arrangements

Finance Lease Liabilities relates to Vehicles and Office Equipment with lease terms of 3 years. The effective interest rate on Finance Leases is between 9% and 12%. Capitalised Lease Liabilities are secured over the items of vehicles and equipment leased.

The management of the municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

The total carrying value of assets pledged as security for finance leases amounts to R285,975.

13.2 Obligations under Finance Lease Liabilities

The Municipality as Lessee:
Finance Leases relate to Property, Plant and Equipment with lease terms not more than 3 years. The effective interest rate on Finance Leases is between 9% and 12%.

The municipality does not have an option to purchase the leased Property, Plant and Equipment at the conclusion of the lease agreements. The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The obligations under Finance Leases are as follows:

	Minimum Lease Payments	
	2011	2010
Amounts payable under finance leases:	R	R
Within one year	203 749	132 032
In the second to fifth years, inclusive	77 574	132 141
Over five years	-	-
	281 323	264 173
Less: Future Finance Obligations	41 079	28 192
Present Value of Minimum Lease Obligations	**240 244**	**235 981**
Less: Amounts due for settlement within 12 months (Current Portion)	(167 839)	(127 155)
Finance Lease Obligations due for settlement after 12 months (Non-current Portion)	72 405	108 826

The municipality has finance lease agreements for the following significant classes of assets:
- Office Equipment
- Vehicles

	2011 R	2010 R
14 NON-CURRENT PROVISIONS		
Provision for Rehabilitation of Land-fill Sites	-	-
Total Non-current Provisions	**-**	**-**

14.4 Rehabilitation of Land-fill Sites

See above for details concerning the utilisation of the allowances as per Directive 4 of the Accounting Standards Board. The municipality has therefore not valued its rehabilitation provision in the current year.

15 ACCUMULATED SURPLUS

The Accumulated Surplus consists of the following Internal Funds and Reserves:

	2011 R	2010 R
Total Accumulated Surplus	**28 939 475**	**5 300 828**

Accumulated Surplus has been restated to correctly classify amounts to be included in Unspent Conditional Grants. Refer to Note 30.1 on "Correction of Error" for details of the restatement.

16 PROPERTY RATES

	Actual Levies	
Rates	1 488 801	1 915 833
Total Assessment Rates	**1 488 801**	**1 915 833**
Attributable to:		
Continuing Operations	1 488 801	1 915 833
Discontinued Operations	-	-
	1 488 801	**1 915 833**

The last valuation came into effect on 1 July 2008. Rates have decreased owing to management's decision to levy less charges as a result of the poor debtors recovery.

NTABANKULU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

		2011	2010
		R	R
17	**INTEREST EARNED**		
	Property Rates:		
	Penalties imposed and Collection Charges	-	-
		-	-
	External Investments:		
	Bank Account	5 198	-
	Investments	642 506	899 706
		647 704	**899 706**
	Outstanding Debtors:		
	Outstanding Billing Debtors	467	-
		467	**-**
	Total Interest Earned	**648 171.11**	**899 706.00**
	Interest Earned on Financial Assets, analysed by category of asset, is as follows:		
	Avaliable-for-Sale Financial Assets	647 704	899 706
	Loans and Receivables	467	-
		648 171	899 706
	Interest Earned on Non-financial Assets	-	-
		648 171	**899 706**
18	**SERVICE CHARGES**		
	Refuse Removal	153 419	158 592
	Sewerage and Sanitation Charges	32 496	28 548
	Total Service Charges	**185 915**	**187 141**
	Attributable to:		
	Continuing Operations	185 915	187 141
	Discontinued Operations	-	-
		185 915	**187 141**

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which

		2011	2010
19	**RENTAL OF FACILITIES AND EQUIPMENT**		
	Operating Lease Rental Revenue:		
	- Investment Property	742 772	1 002 450
	- Other Rental Revenue	22 411	24 294
	Total Rental of Facilities and Equipment	**765 183**	**1 026 744**
		765 182.93	1 026 744.32
	Attributable to:		
	Continuing Operations	765 183	1 026 744
	Discontinued Operations	-	-
		765 183	**1 026 744**

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

NTABANKULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

	2011	2010
	R	R
20 GOVERNMENT GRANTS AND SUBSIDIES		
Provincial Equitable Share	41 957 149	34 319 099
Provincial Health Subsidies	-	-
Other Subsidies	-	-
Operational Grants	41 957 149	34 319 099
Conditional Grants	26 905 329	23 535 293
National: FMG	1 853 754	1 000 000
National: MIG	20 661 665	18 358 903
National: MSIG	722 329	735 000
National: Land Affairs Grant	1 721 414	2 385 391
Local Government: Local Municipalities Grant	846 167	941 193
Other Spheres of Government: Various Grants	1 100 000	114 806
Transferred from Deferred Revenue (offset depreciation on assets funded from Grants)	-	-
Total Government Grants and Subsidies	**68 862 478**	**57 854 392**
Attributable to:		
Continuing Operations	68 862 478	57 854 392
Discontinued Operations	-	-
	68 862 478	**57 854 392**

The comparative figures for Government Grants and Subsidies have been restated to correctly reflect the amount utilised during the 2010 financial year.. Refer to Note 30.2 for details of the restatement.

Operational Grants:

	2011	2010
20.1 National: Equitable Share	41 957 149	34 319 099

20.2 National: FMG Grant

	2011	2010
Balance unspent at beginning of year	620 225	982
Current year receipts	1 250 000	1 619 243
Interest allocated	-	-
Conditions met - transferred to Revenue	(1 853 754)	(1 000 000)
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 12)	**16 471**	**620 225**

20.3 National: MIG Funds

	2011	2010
Balance unspent at beginning of year	10 673 032	169
Current year receipts	10 676 000	29 031 766
Interest allocated	-	-
Conditions met - transferred to Revenue	(20 661 665)	(18 358 903)
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 12)	**687 367**	**10 673 032**

20.4 National: MSIG Funds

	2011	2010
Balance unspent at beginning of year	2 568	442
Current year receipts	750 000	737 126
Interest allocated		-
Conditions met - transferred to Revenue	(722 329)	(735 000)
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 12)	**30 239**	**2 568**

	2011	2010
	R	R

20.5 National - Department Housing

Balance unspent at beginning of year	40 665	88 459
Current year receipts	1 680 749	2 337 597
Interest allocated		-
Conditions met - transferred to Revenue	(1 721 414)	(2 385 391)
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 12)	**-**	**40 665**

20.6 Local Government - Local Municipalities

Balance unspent at beginning of year	327 152	-
Current year receipts	572 016	1 268 345
Interest allocated		-
Conditions met - transferred to Revenue	(846 167)	(941 193)
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 12)	**53 001**	**327 152**

20.7 Other Government

Balance unspent at beginning of year	2 516	-
Current year receipts	1 100 000	117 322
Interest allocated	-	-
Conditions met - transferred to Revenue	(1 102 516)	(114 806)
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 12)	**-**	**2 516**

21 OTHER INCOME

Funeral fees	3 834	1 372
Grazing fees	123 893	73 261
Sundry Income	150 096	427 231
Tuck shop	2 000	1 149
Commission on Collections	5 908	8 867
Tender Documents	69 169	41 485
Other Income	-	6 363 092
Reversal of impairment provision	1 869 992	
Total Other Income	**2 224 891**	**6 916 457**
Attributable to:		
Continuing Operations	2 224 891	6 916 457
Discontinued Operations	-	-
	2 224 891	**6 916 457**

	2011 R	2010 R
22 EMPLOYEE RELATED COSTS		
Employee Related Costs - Salaries and Wages	12 330 429	9 071 239
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	3 034 151	2 892 129
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	1 693 585	3 123 668
Housing Benefits and Allowances	1 265 872	1 723 497
Performance Bonuses	1 389 484	849 059
Total Employee Related Costs	**19 713 520**	**17 659 592**
Attributable to:		
Continuing Operations	19 713 520	17 659 592
Discontinued Operations	-	-
	19 713 520	**17 659 592**
Remuneration of the Municipal Manager		
Annual Remuneration	508 836	413 027
Performance Bonus	94 702	-
Car Allowance	167 342	150 212
Company Contributions to UIF, Medical and Pension Funds	48 972	62 106
Total	**819 852**	**625 345**
Remuneration of the Director: Finance		
Annual Remuneration	590 181	245 963
Performance Bonus	38 341	-
Car Allowance	94 851	43 405
Company Contributions to UIF, Medical and Pension Funds		2 995
Total	**723 373**	**292 363**
Remuneration of the Director: Corporate Services		
Annual Remuneration	479 753	388 761
Performance Bonus	76 683	-
Car Allowance	158 084	141 902
Company Contributions to UIF, Medical and Pension Funds	47 194	55 353
Total	**761 714**	**586 016**
Remuneration of the Director: Social Development		
Annual Remuneration	478 083	388 761
Performance Bonus	76 683	-
Car Allowance	158 084	141 902
Company Contributions to UIF, Medical and Pension Funds	48 864	61 999
Total	**761 714**	**592 662**
Remuneration of the Director: Infrastructure		
Annual Remuneration	-	321 394
Performance Bonus	-	-
Car Allowance	-	117 324
Company Contributions to UIF, Medical and Pension Funds	-	48 456
Total	**-**	**487 174**
Remuneration of the Manager: Strategic Services		
Annual Remuneration	485 139	389 060
Performance Bonus	76 683	-
Car Allowance	158 084	141 902
Company Contributions to UIF, Medical and Pension Funds	41 808	52 084
Total	**761 714**	**583 046**

23 REMUNERATION OF COUNCILLORS

	2011 R	2010 R
Executive Mayor	523 380	479 029
Speaker	409 796	375 228
Mayoral Committee Members	1 046 821	969 777
Councillors	4 248 007	2 967 920
Company Contributions to UIF, Medical and Pension Funds	469 487	445 500
Total Councillors' Remuneration	**6 697 491**	**5 237 454**

In-kind Benefits
Councillors may utilise official Council transportation when engaged in official duties.

The Executive Mayor has use of Council owned vehicles for official duties.

24 DEPRECIATION AND AMORTISATION

	2011 R	2010 R
Depreciation: Property, Plant and Equipment	-	-
Amortisation: Intangible Assets	-	-
	-	-
Total Depreciation and Amortisation	**-**	**-**
Attributable to:		
Continuing Operations	-	-
Discontinued Operations	-	-
	-	**-**

25 IMPAIRMENT LOSSES

25.1 Impairment Losses on Fixed Assets

	2011 R	2010 R
Impairment Losses Recognised:	-	-
Property, Plant and Equipment	-	-
Intangible Assets	-	-
Investment Property	-	-
Impairment Losses Reversed:	-	-
Property, Plant and Equipment	-	-
Intangible Assets		
Investment Property	-	-
	-	**-**

	2011 R	2010 R
25.2 Impairment Losses on Financial Assets		
Impairment Losses Recognised:	-	2 904 482
Consumer Debtors	-	290 889
Other Debtors	-	2 613 593
Impairment Losses Reversed:	(3 415 350)	-
Consumer Debtors	(482 405)	-
Other Debtors	(2 932 945)	-
	(3 415 350)	**2 904 482**
Total Impairment Losses	**(3 415 350)**	**2 904 482**
Attributable to:		
Continuing Operations	(3 415 350)	2 904 482
Discontinued Operations	-	-
	(3 415 350)	**2 904 482**

Impairment reversals are reflected under other income, net of actual bad debt written-off during the year, as per note 21.

26 FINANCE COSTS

	2011	2010
Discounting of financial instruments	154 311	-
Finance Leases	17 398	-
Bank Overdrafts	5 484	59 944
Other	147 912	-
Total Interest Expense	325 105	59 944
Less: Amounts included in the Cost of qualifying Assets	-	-
Total Interest Paid on External Borrowings	**325 105**	**59 944**
Attributable to:		
Continuing Operations	325 105	59 944
Discontinued Operations	-	-
	325 105	**59 944**

27 GENERAL EXPENSES

	2011	2010
Advertising	255 652	192 067
Audit Fees	2 664 782	1 535 963
Bank Charges	93 768	123 869
Electricity	834 557	348 849
Expenditure incurred from Finance Management Grant	1 385 376	-
Fuel and Oil	827 976	1 031 564
Hiring of Equipment	12 061	510 360
IDP Review	1 038 276	-
Insurance	54 382	246 839
Levies: SALGA	413 045	113 910
Other General Expenses	11 571 955	11 313 178
Postage and Telephone	1 418 834	1 292 568
Printing and Stationery	170 843	199 992
Security	495 688	716 482
Subsistence and Travelling	652 279	1 985
Systems Security and Software	216 653	516
Transport Costs	408 472	-
Total General Expenses	**22 514 600**	**17 628 142**

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense.

28 DISCONTINUED OPERATIONS

No operations have been discontinued.

29 CHANGE IN ACCOUNTING POLICY

29.1 Reclassification of Accumulated Surplus

The prior year figures of Accumulated Surplus has been restated to correctly disclose the capital redemtion reserve. This reserve is a part of accumulated surplus and is disclosed as such in the note to the annual financial statements.

The effect of the changes are as follows:

	2011	2010
Balance at 30 June 2011		
Accumulated surplus	-	(85 233)
Capital redemption reserve	-	85 233
	-	

	2011 R	2010 R

30 CORRECTION OF ERROR

Corrections were made to the comparative figures as previously disclosed and can are as follows:

	2011	2010
Opening accumulated surplus (opening balance)		(642 626)
VAT receivable		642 626
Allocation of refund to the input VAT disallowed in the 2009 year		
Corrections to Unspent conditional grant	-	4 673 816
Corrections to Revenue	-	(4 673 816)
Unspent conditional grants were not a reflection of the actual funds available	-	-
Service charges revenue	-	41 485
Other income	-	(41 485)
Misallocation of tender fees to service revenue	-	-
Audit fee		816 889
VAT receivable		114 364
Audit fee payable		(931 253)
2009 audit fee payable not recognised		
Bank		453 533
Other operating expenditure		(453 533)
Correction of stale cheques		
Commitments disclosure note		12 569 425
Correction of commitments disclosure		
Operating expenditure		169 259
Creditors		(169 259)
Correction of expenditure processed in the incorrect period		
Rates income		450 679
Rates debtors		(450 679)
Correction of rates adjustment processed in current year		
Opening accumulated surplus (opening balance)		(38 154)
Input VAT		38 154
Correction of VAT control account to agree to SARS refundable amount		
(Increase) / Decrease in Accumulated Surplus Account	**-**	**(5 272 660)**

30.1 Reclassification of Amounts previously disclosed:

The prior year figures have been restated to correctly disclose the nature of the accounts of the municipality.

The effect of the Correction of Error is as follows:

	2009/2010 Amount previously disclosed	**2009/2010 Effect of error**	**Restated amount**
Unspent conditional grants	16 339 974	(4 673 816)	11 666 158
Rates Income	6 582 183	(450 679)	6 131 504
Rates debtor	2 366 512	(450 679)	1 915 833
Grant income	53 180 576	4 673 816	57 854 392
Service Charges	228 626	(41 485)	187 141
Other income	6 874 972	41 485	6 916 457
VAT receivable	501 768	795 144	1 296 912
Audit fee expense	719 074	816 889	1 535 963
Accounts payable	4 601 703	1 100 512	5 702 215
Bank	-4 103 172	453 533	(3 649 639)

	2011 R	**2010 R**
31 CASH GENERATED BY OPERATIONS		
Surplus for the Year	23 638 647	20 991 677
Adjustment for:		
Other Non-cash items	-	(11 665 840)
Contribution to Impairment Provision	(3 415 350)	6 312 784
Investment Income	(648 171)	(899 706)
Finance Costs	325 105	59 944
Operating surplus before working capital changes	**19 900 231**	**14 798 859**
(Increase)/Decrease in Inventories	(35 601)	-
(Increase)/Decrease in Consumer Debtors	290 311	2 201 772
(Increase)/Decrease in Other Debtors	271 530	2 074 309
(Increase)/Decrease in Funds		(4 423 185)
Increase/(Decrease) in Other Assets	-	4 425 726
Increase/(Decrease) in Creditors	10 138 220	(963 394)
Increase/(Decrease) in Conditional Grants and Receipts	(10 879 100)	1 278 660
Increase/(Decrease) in VAT Receivable	(4 821 099)	111 056
Cash generated by / (utilised in) Operations	**14 864 492**	**19 503 803**

32 NON-CASH INVESTING AND FINANCING TRANSACTIONS

During the 2010/2011 financial year, the municipality acquired R179 660 of equipment under a finance lease. This acquisition will be reflected in the Cash Flow Statement over the term of the finance lease via lease repayments.

33 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

33.1 Unauthorised Expenditure

Reconciliation of Unauthorised Expenditure:	2011	2010
Opening balance	23 026 689	-
Unauthorised Expenditure current year	7 470 654	23 026 689
Previos year unauthorised expenditure repaid into investments	(10 500 000)	-
Unauthorised Expenditure awaiting authorisation	**19 997 343**	**23 026 689**

The unauthorised expenditure occurred owing to overspending on the following votes: Executive and Council, Infrastructure , Corporate and admin, Finance and Strategic. The additional unauthorised occurred as a result of spending of conditional grants for expenditure other than the conditions of the grant. The municipality struggled with cash shortfalls throughout the year owing to a backlog in creditors payable.

	2011	2010
	R	R

33.2 Fruitless and Wasteful Expenditure

To management's knowledge the only instances of fruitless expenditure involves the following:
Interest levied by the Auditor General South Africa on the overdue account amounting to R170,111.
The municipality also incurred interest and penalties that were levied by the South African Revenue Services on late payment of employees taxes by the municipality. The interest levied in this respect totalled R291,448.

	2011	2010
	461 559	**-**

33.3 Irregular Expenditure

To management's best of knowledge instances of note indicating that Irregular Expenditure was incurred
Reconciliation of Irregular Expenditure:

	2011	2010
Opening balance	1 731 264	-
Irregular Expenditure current year	13 300 528	1 731 264
Irregular Expenditure awaiting condonement	**15 031 792**	**1 731 264**

The above expenditure related to non-compliance with supply chain regulations and policies. Reasons include: non-attainment of the required number of quotations or incorrect quotations, invoices being unavailable for payments made to employees. In the tender process, certain tenders were not adequately advertised, nor were tax clearance certificates maintained for all suppliers and preferential procurement adjudication requirements were not always adhered to.
This will be subject to further investigation in the upcoming year.

34 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

34.1 Contributions to organised local government - SALGA

	2011	2010
Opening Balance	-	-
Council Subscriptions	413 045	113 910
Amount Paid - current year	(413 045)	(113 910)
Balance Unpaid (included in Creditors)	**-**	**-**

34.2 Audit Fees

	2011	2010
Opening Balance	931 253	-
Current year Audit Fee	2 664 782	1 535 963
Amount Paid - current year	(345 626)	(604 710)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	**3 250 409**	**931 253**

The balance unpaid represents the audit fee for the prior year audit, as well as planning for the current year audit conducted in May and June of this year.

34.3 VAT

VAT inputs receivables and VAT outputs receivables are shown in Note 11.

34.4 PAYE and UIF

	2011	2010
Opening Balance	-	-
Current year Payroll Deductions	3 556 530	2 838 339
Amount Paid - current year	(2 800 280)	(2 838 339)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	**756 250**	**-**

The balance represents PAYE and UIF deducted from the June 2006 payroll. These amounts were paid

34.5 Pension and Medical Aid Deductions

	2011	2010
Opening Balance	-	-
Current year Payroll Deductions and Council Contributions	3 436 147	4 352 858
Amount Paid - current year	(2 661 573)	(4 352 858)
Balance Unpaid (included in Creditors)	**774 574**	**-**

The balance represents Pension and Medical Aid contributions deducted from employees and councillors in the June 2011 payroll, as well as the municipality's contributions to these funds. These amounts were paid

34.6 Councillor's arrear Consumer Accounts

During the financial year under review no Councillor (present or past) was in arrear with the settlement of

The following Councillors had arrear accounts outstanding for more than 90 days as at:

30 June 2011	**Total**	**Outstanding up to 90 days**	**Outstanding more than 90 days**
Ntuthuka BB	281	38	243
Siguqa MW	28 044	295	27 749
Total Councillor Arrear Consumer Accounts	**28 325**	**333**	**27 992**

30 June 2010	**Total**	**Outstanding up to 90 days**	**Outstanding more than 90 days**
Luhabe MM	2 924	-	2 924
Luvela TR	11 383	-	11 383
Total Councillor Arrear Consumer Accounts	**14 307**	**-**	**14 307**

During the year the following Councillors had arrear accounts outstanding for more than 90 days:

30 June 2011	**Highest amount outstanding**	**Ageing**
Ntuthuka BB	243	> 90 Days
Siguqa MW	27 749	> 90 Days

34.7 Non-Compliance with the Municipal Finance Management Act

The municipality did not pay all suppliers within 30 days of receipt of invoice owing to cash flow constraints.

	2011 R	**2010 R**
35 COMMITMENTS FOR EXPENDITURE		
35.1 Capital Commitments		
Commitments in respect of Capital Expenditure:		
- Approved and Contracted for:-	**13 090 392**	**12 569 425**
Infrastructure	13 090 392	12 569 425
- Approved but Not Yet Contracted for:-	**-**	**-**
Total Capital Commitments	**13 090 392**	**12 569 425**
This expenditure will be financed from:		
Government Grants	13 090 392	12 569 425
	13 090 392	**12 569 425**

35.2 Lease Commitments

Finance Lease Liabilities and Non-cancellable Operating Lease Commitments are disclosed in Notes 4 and 12.

35.3 Other Commitments

There are two months remaining on the security contract. Additionally, there are 18 months remaining on the basic services contract.	4 869 200	-

		2011 R	2010 R

36 FINANCIAL INSTRUMENTS

36.1 Classification

FINANCIAL ASSETS:
In accordance with IAS 39.09 the Financial Assets of the municipality are classified as follows (FVTPL = Fair

Financial Assets	Classification	2011 R	2010 R
Consumer Debtors			
Assessment Rates	Loans and receivables	5 764 872	6 131 504
Refuse	Loans and receivables	470 806	761 117
Other Debtors	Loans and receivables	207 976	112 874
Bank,Cash and Cash Equivalents			
Call Deposits	Held to maturity	378 424	10 799 942
Notice Deposits	Held to maturity	-	-
Short-term Portion of Investments	Held to maturity	-	-
Bank Balances	Available for sale	(453 237)	(3 649 639)
Cash Floats and Advances	Available for sale	-	76 074
Other Cash Equivalents	Available for sale	-	-
		6 368 841	14 231 872

SUMMARY OF FINANCIAL ASSETS

		2011 R	2010 R
Loans and Receivables			
Consumer Debtors	Assessment Rates	5 764 872	6 131 504
Consumer Debtors	Refuse	470 806	761 117
Consumer Debtors	Other Debtors	207 976	112 874
		6 443 654	7 005 495
Available for Sale:			
Bank Balances and Cash	Bank Balances	(74 813)	7 226 377
		(74 813)	7 226 377
Total Financial Assets		**6 368 841**	**14 231 872**

FINANCIAL LIABILITIES:
In accordance with IAS 39.09 the Financial Liabilities of the municipality are classified as follows (FVTPL =

Financial Liabilities	Classification	2011 R	2010 R
Creditors			
Trade Creditors	Financial liabilities at amortised cost	15 544 006	5 702 213
Payments received in Advance	Financial liabilities at amortised cost	147 178	-
Bank Overdraft			
Bank Overdraft	Financial liabilities at amortised cost	(453 237)	(3 649 639)
Long-term liabilities	Financial liabilities at amortised cost	(72 405)	(108 826)
Current Portion of Long-term Liabilities			
Long-term liabilities	Financial liabilities at amortised cost	(167 839)	(127 155)
		14 997 702	1 816 593

		2011 R	2010 R
SUMMARY OF FINANCIAL LIABILITIES			
Financial Liabilities at Amortised Cost:			
Creditors	Trade Creditors	15 544 006	5 702 213
Creditors	Payments received in Advance	147 178	-
Bank Overdraft	Bank Overdraft	(453 237)	(3 649 639)
Long-term liabilities	Finance lease	(72 405)	(108 826)
Current Portion of Long-term Liabilities	Annuity Loans	(167 839)	(127 155)
		14 997 702	1 816 593
Total Financial Liabilities		**14 997 702**	**1 816 593**

36.2 Fair Value

The Fair Values of Financial Assets and Financial Liabilities are determined as follows:

- the Fair Value of Financial Assets and Financial Liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;
- The Fair Value of other Financial Assets and Financial Liabilities is determined in accordance with generally accepted valuation tecniques based on discounted cash flow analysis using interest rates currently charged or paid by other parties and the remaining term to repayment of the interest;

- the Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments;

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

	30 June 2011		30 June 2010	
	Carrying Amount R	Fair Value R	Carrying Amount R	Fair Value R
FINANCIAL ASSETS				
Loans and Receivables	6 443 654	6 443 654	7 005 495	7 005 495
Consumer and Other Debtors	6 443 654	6 443 654	7 005 495	7 005 495
Available for Sale	(74 813)	(74 813)	7 226 377	7 226 377
Bank Balances and Cash	(74 813)	(74 813)	7 226 377	7 226 377
Total Financial Assets	6 368 841	6 368 841	14 231 872	14 231 872

	30 June 2011		30 June 2010	
	Carrying Amount R	Fair Value R	Carrying Amount R	Fair Value R
FINANCIAL LIABILITIES				
Designated as FVTPL:	14 997 702	14 997 702	1 816 593	1 816 593
Unsecured Bank Facilities:	(453 237)	(453 237)	(3 649 639)	(3 649 639)
- Bank Overdraft	(453 237)	(453 237)	(3 649 639)	(3 649 639)
Trade and Other Payables:	15 450 940	15 450 940	5 466 232	5 466 232
- Creditors	15 691 184	15 691 184	5 702 213	5 702 213
- Current Portion of Long-term Liabilities	(240 244)	(240 244)	(235 981)	(235 981)
Total Financial Liabilities	14 997 702	14 997 702	1 816 593	1 816 593
Total Financial Instruments	(8 628 861)	(8 628 861)	12 415 279	12 415 279
Unrecognised Gain / (Loss)		-		-

36.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2010.

The capital structure of the municipality consists of debt, Bank, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in the Statement of Changes in Net Assets.

Gearing Ratio

	2011	**2010**
	R	**R**
The gearing ratio at the year-end was as follows:		
Debt	(693 481)	(3 885 620)
Net Debt	(693 481)	(3 885 620)
Equity	28 939 475	5 300 828
Net debt to equity ratio	**-2.40%**	**-73.30%**

Debt is defined as Long- and Short-term Liabilities, including bank overdraft.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance.

36.4 Financial Risk Management Objectives

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Directorate: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

36.5 Significant Accounting Policies

Details of the significant Accounting Policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of Financial Asset, Financial Liability and Equity Instrument are disclosed in the Accounting Policies to the Annual Financial Statements.

36.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 59.2 below). No formal policy exists to hedge volatilities in the interest rate market.
The municipality's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see Note 59 below) and interest rates (see Note 59 below) and other price risks. The municipality enters into a variety of derivative financial instruments to manage its exposure to interest rate, foreign currency and other price risks, including:

- interest rate swaps to mitigate the risk of rising interest rates.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

36.6.1 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

36.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing.

Consumer debtors comprise of ratepayers and services, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "demand for payment" and as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Other Debtors are individually evaluated annually at balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis

The municipality had no floating rate long-term financial instruments at year-end requiring an Interest Rate Sensitivity Analysis.

Finance Lease Liabilities:
If interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's:
- Surplus for the year ended 30 June 2009 would have decreased / increased by R43 000 (2008: decreased / increased by R93 000). This is mainly
- Other equity reserves would have decreased / increased by R19 000 (2008: decreased / increased by R12 000) mainly as a result of the changes in the

The municipality's sensitivity to interest rates has decreased during the current period mainly due to the reduction in variable rate debt instruments.

SENSITIVITY ANALYSIS - INTEREST RATE
Effect of a change in interest rate on interest bearing financial assets and liabilities

		MUNICIPALITY 2011 R	2010 R
Financial Assets	**Classification**		
External investments:			
Call Deposits	Available for Sale	378 424	10 799 942
		378 424	**10 799 942**
Interest received			
Interest Earned - External Investments			
Interest rate			
Effect of a change in interest rate on interest earned from external investments:			
Effect of change in interest rate	%	8%	8%
Effect of change in interest rate	Rand value	30 274	863 995
Effect of change in interest rate	%	10%	10%
Effect of change in interest rate	Rand value	37 842	1 079 994
Outstanding debtors:			
Consumer and Other Debtors	Loans and receivables	3 374 384	520 875
Sundry Debtors	Loans and receivables		
		3 374 384	**520 875**
Interest received			
Interest Earned - Outstanding Debtors			
Interest rate			
Effect of a change in interest rate on interest earned from outstanding debtors			
Effect of change in interest rate	%	8%	8%
Effect of change in interest rate	Rand value	269 951	41 670
Effect of change in interest rate	%	10%	10%
Effect of change in interest rate	Rand value	337 438	52 088

2011 **2010**

NTABANKULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

Financial Liabilities	Classification	R	R
Long-term Liabilities			
Annuity Loans	Not valued at FVTPL		
Operating Lease Liability	Not valued at FVTPL		
Annuity Loans - current portion	Not valued at FVTPL		
Interest paid			
Long-term Liabilities			
Interest rate %			
Effect of a change in interest rate on interest paid on long-term liabilities			
Effect of change in interest rate	%	8%	8%
Effect of change in interest rate	Rand value		
Effect of change in interest rate	%	10%	10%
Effect of change in interest rate	Rand value		
Bank Overdrafts and Other			
Trade creditors	Not valued at FVTPL	16 755 188	6 616 968
Other creditors	Not valued at FVTPL		
Bank Overdraft	Not valued at FVTPL	453 237	3 649 639
		17 208 425	10 266 607
Interest paid			
Bank Overdrafts and Other			
Interest rate %			
Effect of a change in interest rate on interest paid on bank overdrafts and other			
Effect of change in interest rate	%	8%	8%
Effect of change in interest rate	Rand value	1 376 674	821 329
Effect of change in interest rate	%	10%	10%
Effect of change in interest rate	Rand value	1 720 842	1 026 661

36 FINANCIAL INSTRUMENTS (Continued)

36.8 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

36.9 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

36.10 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses other publicly available financial information and its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.

Trade Receivables consist of a large number of customers, spread across diverse industries in the geographical area of the municipality. Periodic credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee is increased accordingly.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "demand for payment" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

37 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

Ntabankulu Municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds.

These funds are governed by the Pension Funds Act and include defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

(i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
(ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.

(iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

38 RELATED PARTY TRANSACTIONS

38.1 Interest of Related Parties

Councillors and/or management of the municipality have relationships with businesses as indicated below:

38.2 Services rendered to Related Parties

The municipality did not render any services during the year to anyone that can be considered as a related party.

During the year the municipality rendered services to the following related parties that are related to the municipality as indicated:

	Rates Charges R	Service Charges R	Sundry Charges R	Outstanding Balances R
For the Year ended				
Councillors	1 332	-	-	27 992
Total Services	**1 332**	**-**	**-**	**27 992**

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

The amounts outstanding are unsecured and will be settled in cash. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

38.3 Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004.

38.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Notes 22 and 23 respectively, to the Annual Financial Statements.

38.5 Purchases from Related Parties

The municipality did not buy goods from any companies which can be considered to be Related Parties.

	2011 R	2010 R
39 CONTINGENT LIABILITIES		
39.1 Guarantees:	-	-
No contingent liabilities were identified as at 30 June 2011.	-	-
39.2 Court Proceedings:	-	-
No contingent liabilities were identified as at 30 June 2011.	-	-
39.3 Contingent Liabilities incurred arising from interests in Joint ventures:	-	-
No contingent liabilities were identified as at 30 June 2011.		
39.4 Municipality's share of Associates' Contingent Liabilities:	-	-
No contingent liabilities were identified as at 30 June 2011.		

39.5 Bank overdraft
The entity does not have an authorised overdraft. The actual overdraft is therefore payable on demand.

40 CONTINGENT ASSETS

The municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.

41 IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any In-kind Donations and Assistance during the year under review.

42 COMPARISON WITH THE BUDGET

The comparison of the municipality's actual financial performance with that budgeted, is set out in Annexures "E (1) and E (2)".

43 PRIVATE PUBLIC PARTNERSHIPS

The municipality was not a party to any Private Public Partnerships during the financial year 2010/2011.

44 EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2011.

45 COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Changes in Accounting Policies (Note 29) and Prior Period Errors (Note 30).

46 STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED

At the date of authorisation of these Annual Financial Statements the municipality has not applied the following GRAP standards that have been issued, but are not yet effective:

- GRAP 18 Segment Reporting - issued March 2005
- GRAP 21 Impairment of Non-cash-generating Assets - issued March 2009
- GRAP 23 Revenue from Non-exchange Transactions (Taxes and Transfers) - issued February 2008
- GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
- GRAP 25 Employee Benefits - issued December 2009
- GRAP 26 Impairment of Cash-generating Assets - issued March 2009
- GRAP 103 Heritage Assets - issued July 2008
- GRAP 104 Financial Instruments - issued October 2009

Application of all of the above GRAP standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

Management has considered all the GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.